

TONBRIDGE & MALLING BOROUGH COUNCIL

OVERVIEW AND SCRUTINY COMMITTEE

25 January 2024

**Joint Report of the Director of Finance and Transformation and
Cabinet Member for Finance and Housing**

Part 1- Public

Matters for Recommendation to Cabinet

1 REVENUE ESTIMATES 2024/25

The Council has a statutory duty to set the level of council tax for the forthcoming financial year by 11 March. Under the Budget and Policy Framework Rules of the Constitution, the Cabinet is responsible for formulating initial draft proposals in respect of the Budget. The role of this Committee is to assist both the Cabinet and the Council in the preparation of the Budget for 2024/25 within the context of the Medium Term Financial Strategy and the Council's priorities. This year's budget setting process has had to incorporate the effect of the conflict in Ukraine and its impact on global economic conditions both next year and over the medium term.

Dashboard/ Key Points

- **Provisional local government finance settlement 2024/25 better than expected; gives TMBC a Settlement Funding Assessment (core funding) for 1 year. Includes allocation of £0.36m for New Homes Bonus; also Funding Guarantee of £2.3m. Overall funding INCREASE on 2023/24 is £416,000 (7.7%).**
- **However beyond 2024/25, no indication of future core funding, including any replacement (or not) for NHB making planning difficult.**
- **Council Tax referendum principles for district councils mean that council tax can rise by up to 3% or £5, whichever is greater. By way of context, CPI inflation index for November is 3.9%.**
- **Funding Gap within the MTFS reworked based on the provisional Settlement and now i.r.o. £1.78m plus £200k to be delivered from office accommodation and £400k in respect of the cost of temporary accommodation.**
- **Recommendations made to earmark funds towards Key Priorities from Corporate Strategy**

1.1 Introduction

- 1.1.1 The Cabinet is responsible for formulating initial draft proposals in respect of the Budget for 2024/25.
- 1.1.2 Following the changes to governance arrangements early in 2022, the Cabinet now works alongside officers to prepare the draft Estimates. Accordingly, this report presenting the draft Estimates is now a joint report of the Director of Finance and Transformation and the Cabinet Member for Finance and Housing.
- 1.1.3 Under the Budget and Policy Framework, one of the responsibilities of this Committee is to scrutinise the draft Estimates and, where appropriate, make recommendations back to Cabinet.
- 1.1.4 This report is, therefore, intended as the basis for recommendations from this Committee to the Cabinet.
- 1.1.5 A special meeting of the Cabinet is scheduled for 13 February to consider the recommendations of this Committee and, in addition, take into account the Council's final grant settlement.
- 1.1.6 At that special meeting on 13 February, the Cabinet will need to formulate its final proposals in respect of the Budget for 2024/25 and the council tax to be levied in respect of the Borough Council. The Full Council will meet on the 20 February to approve the Budget and set the Council Tax. The Full Council may adopt or amend the Cabinet's proposals.
- 1.1.7 The role of this Committee is to consider both the Revised Estimates for 2023/24 and the draft Estimates for 2024/25 within the context of the Medium Term Financial Strategy and the Council's priorities. These estimates are attached at **[Annex 1]** for Members' consideration.

1.2 Corporate Strategy

- 1.2.1 The Council adopted a new Corporate Strategy in 2023 setting out the values key to achieving the strategy of **innovation, transformation, and delivery**.
- 1.2.2 The Strategy sets out the four key priorities for the borough:
- 1) Efficient services for all our residents, maintaining an effective council;
 - 2) Sustaining a borough which cares for the environment;
 - 3) Improving housing options for local people whilst protecting our outdoor areas of importance;
 - 4) Investing in our local economy.

1.2.3 In preparation of these Estimates, regard has been taken to the above priorities and in particular the Cabinet has highlighted the need to address the following key issues which contribute to the above:

- Provision of cost-effective Temporary Accommodation;
- Regeneration of Tonbridge (including replacement of Angel Centre);
- Climate Change, including carbon neutral leisure centres;
- Transformation to improve efficiency and effectiveness; and
- Delivery of the Local Plan

1.3 Medium Term Financial Strategy

1.3.1 Whilst this report is predominantly about the Budget for 2024/25, Members and senior officers have a duty to provide for the **long-term financial sustainability** of the Council. It is, therefore, imperative that we prepare plans to deliver any scenario that the Council might face.

1.3.2 The Council has, for many years, adopted a 10-year Medium Term Financial Strategy (MTFS) which covers both revenue and capital budgets. The aim of the Strategy is to give us a realistic and sustainable plan that reflects the Council's priorities.

1.3.3 It is important to recognise that financial 'fortunes' can change, moving up and down, over a medium term period – and one of the main reasons for having a plan of this longevity is to smooth out the 'peaks and troughs' of those financial fortunes in order to create more stability for our budgets and services.

1.3.4 This year (2023/24) and next (2024/25), the Council is in a good position where it does not need to rely on reserves to support the revenue budget. However, we do expect this to change significantly in the next two to three years and the reverse will be true due to forthcoming Fair Funding Review, Business Rate Reset and retendering of the Waste contract.

1.3.5 In order to assist Cabinet in preparing for this draft Budget, an interim update of the MTFS was undertaken and reported to the Cabinet meeting on 5 December. The report is appended as **[Annex 2]** which Members of this Committee may want to read to aid their understanding of the financial outlook.

1.3.6 At the time of reporting to Cabinet in December, we had not received the provisional local government finance settlement and these draft estimates had also not been finalised. The MTFS will be updated again and reported to the Budget Cabinet meeting in February; but for now, the general 'direction of travel' can be noted.

- 1.3.7 Within the appended report at **[Annex 2]**, Members will note that **the projected funding gap is £1.78m** compared to the £1.7m noted at the time of setting the Budget in February 2023. The MTFS does assume, and take account of, future savings in respect of the scaling back of office accommodation (£200k), as well as assuming reduced costs in respect of temporary accommodation (£400k). Delivery of both of these savings items is still 'work in progress'.
- 1.3.8 Alongside the MTFS sits a Savings and Transformation Strategy (STS). The purpose of the Strategy is to provide structure, focus and direction in addressing the financial challenge faced by the Council. In so doing, it recognises that there is no one simple solution and as a result we will need to adopt a number of ways to deliver the required savings and transformation contributions within an agreed timescale.
- 1.3.9 Within the report to Cabinet on 5 December, savings delivered to date were reported alongside potential savings for the forthcoming financial year. Members are referred to **[Annex 2]** for the detail.

1.4 Provisional Local Government Finance Settlement

Settlement Funding Assessment (Core Funding)

- 1.4.1 On 19 December 2023, the Secretary of State for the Department for Levelling Up, Housing and Communities, Michael Gove MP, made a statement to Parliament on the provisional local government finance settlement for 2024/25. The provisional figures are expected to be confirmed in January / February 2024.
- 1.4.2 Again, the Settlement Funding Assessment (SFA) is for one year only (2024/25) and the Fair Funding Review deferred to a future date. We do not expect TMBC to fair well under a review and therefore, for now, the delay can be seen as good news. However, the uncertainty over local government funding more generally is prolonged and makes financial planning very difficult.
- 1.4.3 Our provisional SFA for the year 2024/25 as shown in the table below is £2,665,451, an uplift of 5.2% compared to the sum received in 2023/24. However, it is important to stress that **funding in what is assumed the near future will be dependent** on the outcome of the yet to be concluded Fair Funding Review.

New Homes Bonus

- 1.4.4 No further legacy payments are due under the New Homes Bonus (NHB) scheme giving an allocation for the year 2024/25 only which in our case is £343,373, the reduction is as an effect of lower property completions during October 2022 and October 2023 and a higher level of unoccupied homes at the date of assessment. These unoccupied properties should come into use during the next period covering October 2023 to October 2024 reversing some effect of the losses in the current year if the NHB funding continues.

- 1.4.5 The future of NHB or a replacement remains the subject of discussion, but at the very least will not continue in its current form leaving one of two options. Firstly, the scheme is withdrawn and not replaced; or alternatively it is replaced, but where the funding stream and sum awarded is much reduced, the latter is included within the assumptions for the MTFS.

Under-indexing of the Business Rates Multiplier

- 1.4.6 The payment for the under-indexing of the business rates multiplier is £464,291.

Services Grant

- 1.4.7 This was introduced in 2022/23 albeit it was said as a one-off un-ringfenced grant allocation to support all services delivered by councils. Our provisional allocation for the year 2024/25 as shown in the table below is £14,648.

Funding Guarantee

- 1.4.8 The previous Lower Tier Services Grant and a proportion of the expired New Homes Bonus legacy payments have been repurposed to create a funding guarantee to ensure that all authorities will see an increase in their core spending power before any decision they make about council tax levels. The increase in core spending power as calculated by the government is 5.1%.

- 1.4.9 It has been assumed from what has been said that the funding guarantee applies to this Spending Review period, the years 2023/24 and 2024/25. Our provisional allocation for the year 2024/25 as shown in the table below is £2,335,834.

Total Grant Funding

- 1.4.10 Total grant funding for the year 2024/25 as shown in the table below is £5,783,597, a cash increase of £416,032 or 7.7% when compared to that received in 2023/24.

	2023/24	2024/25	Cash Increase/ (Decrease)	
	£	£	£	%
Local Share of Business Rates (baseline)	2,387,888	2,509,032	121,144	5.1
Revenue Support Grant	137,323	146,419	9,096	6.6
Settlement Funding Assessment	2,525,211	2,655,451	130,240	5.2
New Homes Bonus	610,499	343,373	(267,126)	(43.8)
Under-indexing of the Business Rates Multiplier	406,754	464,291	57,537	14.1
Services Grant	93,093	14,648	(78,445)	(84.3)
Funding Guarantee	1,762,008	2,335,834	573,826	32.6
Total Grant Funding	5,397,565	5,813,597	416,032	7.7

1.4.11 The provisional local government finance settlement 2024/25 is subject to consultation. The return date for responses to the consultation is 15 January 2024, with the response being agreed by the Cabinet Member for Finance and Housing prior to submission. The consultation paper can be found at the following link: [Provisional local government finance settlement 2024-25 consultation - Department for Levelling Up, Housing and Communities - Citizen Space](#)

1.5 National Non Domestic Rates (NNDR)

- 1.5.1 It is expected that, in due course, alongside the Fair Funding Review, reform to the Business Rates Retention Scheme / Business Rates will be under consideration. Nothing has yet been announced affecting 2024/25.
- 1.5.2 Following the development of Panattoni Park on the former Aylesford Newsprint site the Council was re-admitted to the Kent Business Rates Pool from April 2023. This means that the Council is able to retain a higher proportion of receipts which exceed the Governments baseline, which for 2024/25 has been provisionally set at £2.509m.
- 1.5.3 As Members will be aware, the Panattoni Park development is progressing at a pace. Business rate valuations are, of course, undertaken by the Valuation Office (VO, a government department) and until TMBC has been advised of the valuations, businesses cannot be billed.
- 1.5.4 Prudent estimates of the share of new income for TMBC that this would derive were made, but the actual valuations that are being declared by the VO surpass our estimates and expectations. In the short term (until there is a business rates reset of our baseline as mentioned in paragraph 1.5.1 above) this is good news for TMBC. We estimate that in 2024/25, receipts above our original estimates will be £927k. These receipts could continue to accrue to TMBC annually – until a Business Rates Review or Reset is completed and implemented.
- 1.5.5 TMBC, as the billing authority, is the administrator of the NNDR account which is managed on behalf of all relevant partners (government, KCC, TMBC and Kent Fire). As the administrator, we have been looking carefully at the significant provision we hold for appeals: Members may be aware that businesses can challenge the valuations declared by the VO, and if these appeals are upheld (often many months or even years later) refunds would need to be made (and many can be very large amounts).
- 1.5.6 Nevertheless, there are time limits for appeals to be made and these relate back to the dates of the revaluation lists undertaken by the VO. The time limits have now passed for some lists and therefore we can now release some of the provision for the benefit of all the relevant partners. Releasing a sum of £5m from the provision means that TMBC will receive £1.3m of this as a one-off windfall, with the rest going to other partners.

1.5.7 In summary, therefore, this positive financial position - made up of NNDR receipts over and above the originals estimates plus the release of NNDR appeals provision - can be factored into the funding summary for 2024/25. These figures are reflected on the summary page within the NNDR section (Page S1 of **[Annex 1]**).

1.6 Local Referendums to Veto Excessive Council Tax Increases

1.6.1 The Localism Act gives local communities the power to veto excessive council tax increases. The Secretary of State will determine a limit for council tax increases which has to be approved by the House of Commons. If an authority proposes to raise council tax above this limit, they will have to hold a referendum to get approval for this from local voters who will be asked to approve or to veto the rise.

1.6.2 For the year 2024/25, a referendum will be triggered where council tax is increased by **more than 3% or £5, whichever is higher**.

1.6.3 Referendum principles currently do not apply to town and parish councils.

1.7 Specific Issues

1.7.1 This year's budget setting process has had to incorporate the current economic impacts of inflationary effects for both next year and over the medium term.

1.7.2 In terms of the council tax base, built into the MTFS is an expectation about future growth in the number of band D equivalents over the ten-year period. It is important, however, to recognise that the scale of development growth both in any one year and over the medium term is very difficult to predict given the market as well as other site-specific conditions.

1.7.3 Recommendations regarding fees and charges are made during this cycle of meetings and reflected in the revenue estimates.

1.7.4 Any decisions made by the General Purposes Committee at its meeting on 24 January 2024 have not been reflected in these draft papers due to timing and financial implications will need to be incorporated prior to presentation to Cabinet on 13 February 2024.

1.7.5 Other than loss of investment income the revenue estimates do not take account of the revenue consequences of new capital schemes. At its meeting on 13 February, the Cabinet will need to give consideration to both the Revenue and Capital Estimates in the context of the MTFS and, where appropriate, recommend additions to the Capital Plan.

1.7.6 In accordance with the MTFS objectives, the annual contribution to the Revenue Reserve for Capital Schemes excluding capital renewals is set at £250,000 and remains in place until 2028/29. However, at its meeting on 5 December, Cabinet recommended to Full Council that a further £750,000 be added to the revenue

reserve for capital schemes in 2023/24 for use in later years to allow additional approved schemes to proceed. The capital allowance will go back £250,000 in due course.

- 1.7.7 The annual contribution to the Building Repairs Reserve to meet ongoing maintenance and repair obligations allows for impacts on current projects, such as the Tonbridge Gatehouse Roof but then falls to a constant £750,000 from 2025/26 onwards.
- 1.7.8 More detailed explanatory notes in respect of the revenue estimates can be found in the attached Revenue Estimates Booklet **[Annex 1]**.
- 1.7.9 To support scrutiny of the Revenue Estimates and further to previous requests from Members, **[Annex 3]** sets out for each of the services contained in **[Annex 1]** a description as to whether it is a Mandatory or a Discretionary service.
- 1.7.10 It is important that Members appreciate however, that there are often discretionary 'add-ons' to a mandatory service and therefore mandatory services should not be excluded from scrutiny. It is also worth noting that discretionary services are often the ones which are most desired and appreciated by residents and taxpayers, contributing to wider objectives such as health and wellbeing.

1.8 Revised Revenue Estimates 2023/24

- 1.8.1 Overall, the draft 2023/24 Revised Estimates show an increase over the Original Estimates of £149,900 prior to making a contribution to/from the General Revenue Reserve. Details of the variations to individual service budgets can be found in **[Annex 1]** to this report. The principal variations are given in the table below.

Description	£
Salaries and Oncosts	543,200
Major Income Streams	307,000
Treasury Management Investment Income	(1,153,400)
Audit Fees	77,000
Homelessness	249,100
Woodland Management	120,000
Insurance Costs	43,750
VAT windfall	(1,967,500)
Transfers to Reserves	1,350,000
Government Grants	(193,250)
KCC Contribution	(200,000)
Business Rates	885,740
Other Movements	88,260
TOTAL	149,900

1.9 Revenue Estimates 2024/25

1.9.1 Overall, the draft 2024/25 Estimates show an increase over the 2023/24 Original Estimates of £960,643 prior to making a contribution to/from the General Revenue Reserve. Details of the variations to individual service budgets can be found in **[Annex 1]** to this report. The principal variations in excess of £50,000 are given in the table below.

Description	£
Salaries and Oncosts	584,500
Major Income Streams	(399,200)
Treasury Management Investment Income	(867,350)
Enforcement Initiatives	61,000
Community Grants	87,000
Staff Recognition Payment	50,000
Audit Fees	83,850
Cessation of Gateway Agreement	110,850
Homelessness	116,200
Insurance Costs	72,900
Refuse, Recycling and Street Cleansing	75,450
Transfers to Reserves (see para 1.10)	4,495,000
Government Grants	(294,950)
Business Rates	(3,028,922)
Collection Fund Surpluses	(479,835)
Other Movements	294,150
TOTAL	960,643

1.10 Reserves to support Key Priorities

1.10.1 As set out at paragraph 1.2.3, the Cabinet has highlighted the need to address some key issues in setting the budget for 2024/25. In accounting terms, the delivery of services or schemes to achieve these objectives may be either classed as revenue or capital in nature.

1.10.2 Given both the additional resources from both the provisional Settlement (see paragraph 1.4) and NNDR (see paragraph 1.5), the opportunity exists to create earmarked reserves in order to provide funds to support these activities as relevant schemes are developed. Whilst the detail of the activities has not been compiled or agreed as yet, it is felt prudent to kick-start the resourcing of these initiatives.

1.10.3 Cabinet and Management Team therefore have reflected within the 2024/25 Estimate the following **additional** reserve contributions totalling £4.495m:

- 1) Creation of a new Temporary Accommodation reserve in the sum of £1.3m;
- 2) Transfer of £1.85m to the Regeneration of Tonbridge reserve (including replacement of Angel Centre);
- 3) Transfer of £0.5m to Climate change reserve;
- 4) Transfer of £0.5m to Transformation reserve; and
- 5) Transfer of £0.345m to Local Plan reserve.

1.10.4 In respect of the latter item, Local Plan reserve, Members are referred to Decision notice D230057CAB from Cabinet 4 July 2023 where a one-off injection of £345k was approved for incorporation during this budget cycle.

1.11 Draft Capital Plan

1.11.1 A report elsewhere on this agenda seeks to advise Members of the way forward on the Capital Plan. The criteria established to guide the inclusion of new schemes to List C (holding list of schemes not yet fully worked up) and ultimately the inclusion of schemes on List A (schemes assigned budget provision) are:

- to meet legislative requirements including health and safety obligations;
- funded from external resources; and
- reduce revenue expenditure and or generate income.

1.11.2 The Capital Plan review report recommends schemes for inclusion on List B, the short-list of schemes for possible inclusion in the Capital Plan. Members are reminded that the selection from List B, of schemes to be included in the Capital Plan (List A) – if any – will be made at Cabinet on 13 February for endorsement by Council.

1.11.3 Capital expenditure is currently funded from the revenue reserve for capital schemes, grants from government and other bodies, developer contributions and from capital receipts derived from the sale of assets.

1.11.4 There is also an annual contribution to the revenue reserve for capital schemes to match the funding required for the replacement of existing assets (vehicles, plant and equipment) and recurring capital expenditure. The contribution in 2024/25 is £1,065,000.

1.11.5 There remains an annual capital allowance for all other capital expenditure not least in light of the difficult and challenging financial outlook. Any 'bids' for capital schemes or discretionary capital grants are to be assessed in the context of the

annual allowance. The annual capital allowance is ordinarily set at £250,000; however, at its meeting on 5 December following receipt of a VAT 'windfall', Cabinet recommended to Full Council that a further £750,000 be added to the revenue reserve for capital schemes in 2023/24 for use in later years to allow additional approved schemes to proceed. The capital allowance will go back to £250,000 in due course.

- 1.11.6 It should be noted, based on current projections and details contained within the MTFS and capital plan, that from 2029/30 the Council may need to borrow to fund such expenditure. This does not however, preclude a decision to borrow in order to fund in full or in part an investment opportunity that meets the Council's strategic priorities and objectives, and achieves value for money. Each such opportunity to be considered on a case by case basis as appropriate.
- 1.11.7 In addition, other earmarked Reserves could be used to fund in full or in part appropriate capital plan schemes.

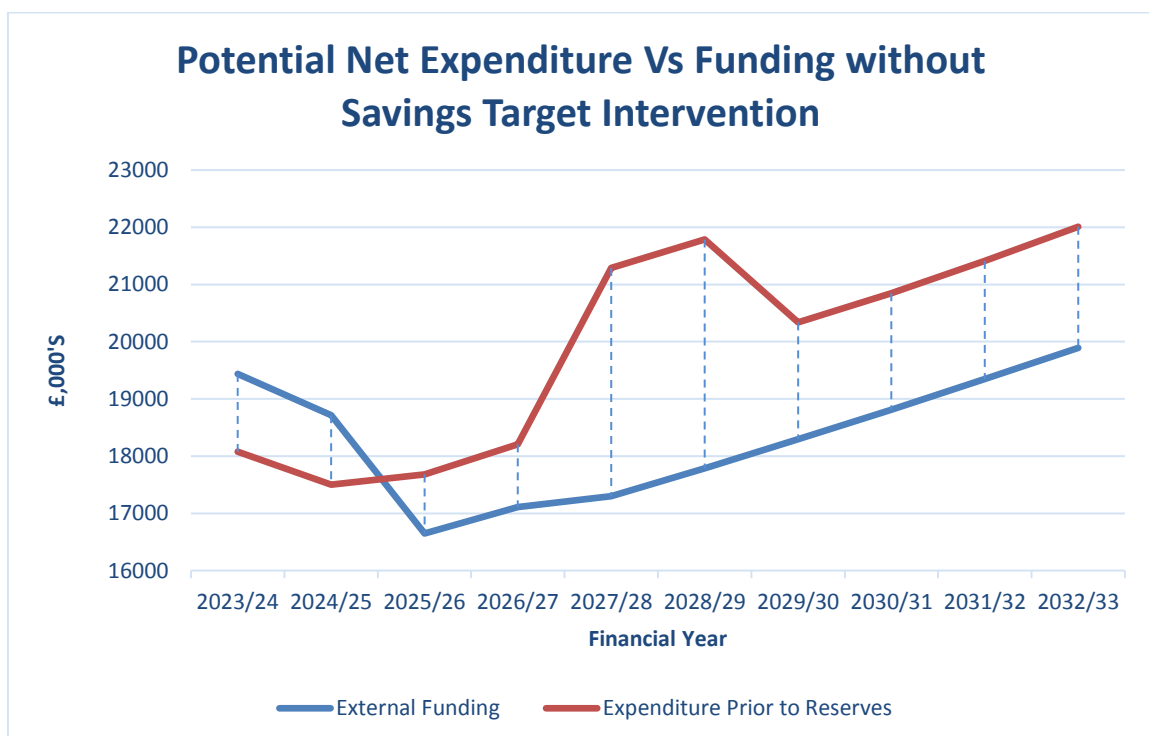
1.12 Consultation with Non-Domestic (Business) Ratepayers

- 1.12.1 Before the Borough Council determines the amount of its total estimated expenditure and makes calculations of its requirements for the ensuing financial year, it consults representatives of its non-domestic ratepayers about its expenditure proposals (including capital expenditure). The consultees receive on request information and copies of the draft budgets and are invited to make written representations if they deem it appropriate. Any points of clarification required are dealt with by telephone, written correspondence or, if appropriate, an informal meeting with officers.
- 1.12.2 Any comments or representations received from the consultees will be reported to Members during the budget process as appropriate.

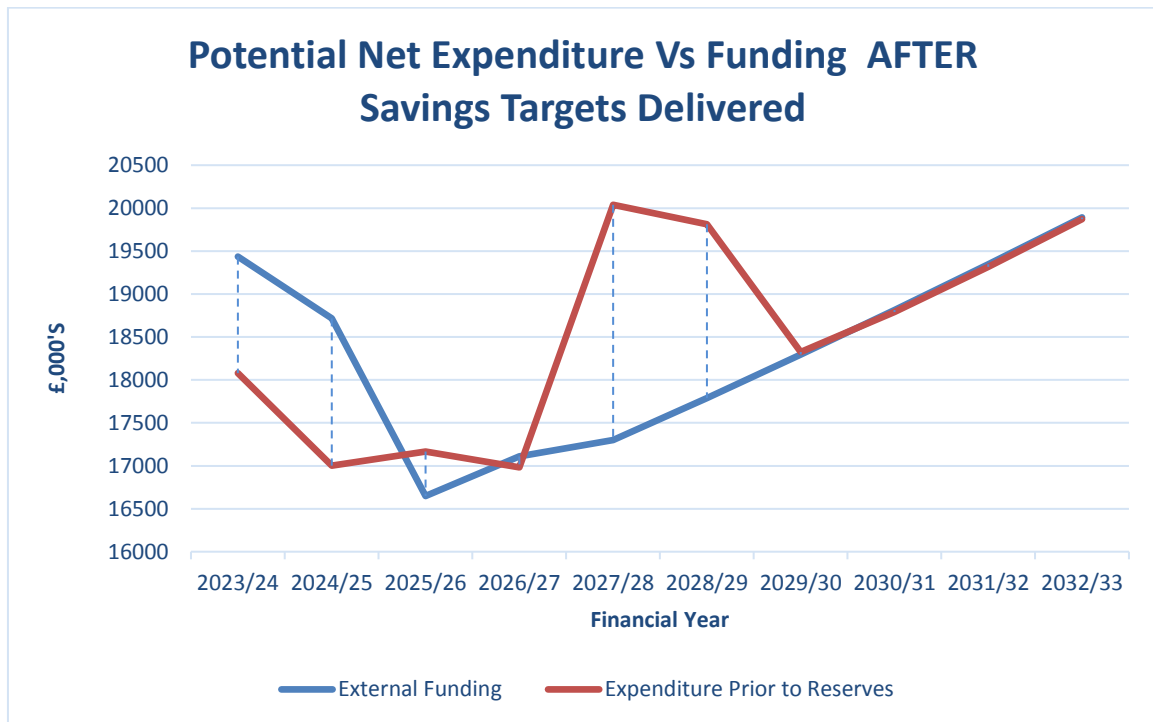
1.13 The Financial Outlook and Summary

- 1.13.1 Like 2023/24, 2024/25 on a standalone basis is a good settlement for TMBC.
- 1.13.2 The much talked about Fair Funding Review has been on the cards for several years now and our expectation is that, when it happens, the reshuffling of the overall funding envelope will not bode well for district councils like TMBC through the settlement.
- 1.13.3 Fortunately for TMBC, due to the pandemic and the subsequent economic crisis the Review has not yet happened. However, it will come at some point and that is when we are likely to see a reversal of fortune and TMBC will once again be temporarily reliant on reserves to support the revenue budget until such time as all the savings targets are delivered. For MTFS planning purposes we have assumed that a review will be implemented in 2025/26.

- 1.13.4 For now though, with a better than anticipated provisional settlement coupled with business rates (NNDR) receipts being also higher than originally expected (and having the benefit of being in the pool), there is a rare opportunity to set aside a significant amount of funds in earmarked reserves to assist in delivering the Council's key priorities. Whilst inevitably more resources will be needed for the key priorities, this gives a welcome start to the process.
- 1.13.5 Beyond 2024/25, in addition to the above, NNDR receipts above those we have factored into the MTFS could potentially be available to be earmarked towards key priorities. However, as has been reported before, once there is a Business Rates Reset, the potential for TMBC to hang onto those additional receipts diminishes. In very simple terms, therefore, the further into the future the Business Rates Reset occurs, the better it is for TMBC. For MTFS planning purposes, we have assumed that a reset will occur in 2027/28.
- 1.13.6 With regards to TMBC's expenditure, the biggest potential change on the horizon is when the waste contract is retendered in 2027/28 (assuming it is not extended beyond its initial 8 years). We anticipate a significant increase in costs based on what is happening in the market and a 'best guess' has been taken into account in MTFS planning. However, the full extent of the additional cost burden will not be known until tenders are actually received in due course.
- 1.13.7 It is the combination of the threat of reducing external funding (through Fair Funding and Business Rate Reset) coupled with increased costs that creates the 'funding gap' and the need to deliver savings targets. Some graphics were included in the December Cabinet report (see **[Annex 2]**) illustrating this point and for consistency they are included below to aid understanding of the financial outlook:



1.13.8 If the funding gap of £1.78m is bridged (see paragraph 1.3.7) through the various tranches of savings targets, the graphic changes as follows:



1.13.9 Inevitably things will change, and plans will need to be adapted, but this is the general direction of travel that we anticipate.

1.13.10 The MTFS will continue to be updated as we move through the 2024/25 budget cycle and as more information becomes available and in due course presented with the Budget report to Cabinet in February.

1.14 Legal Implications

1.14.1 There are a number of legislative requirements to consider in setting the Budget which will be addressed as we move through the budget cycle.

1.14.2 The Localism Act gives local communities the power to veto excessive council tax increases. The Secretary of State will determine a limit for council tax increases which has to be approved by the House of Commons. If an authority proposes to raise council tax above this limit, they will have to hold a referendum to get approval for this from local voters who will be asked to approve or veto the rise.

1.14.3 The Local Government Finance Act 2012 and regulations that followed introduced the current Business Rates Retention Scheme.

1.15 Financial and Value for Money Considerations

1.15.1 Members and senior officers have a duty to provide for the **long-term financial sustainability** of the Council. It is, therefore, imperative that we prepare plans to deliver any scenario that the Council might face.

1.15.2 The uncertainty surrounding local government finances with regard to:

- the awaited outcome of the Fair Funding Review,
- the future of NHB and other grant income,
- business rates reforms, and
- the adverse impact of the current economic conditions and the aftermath of Covid-19 pandemic

makes financial planning that much more difficult.

1.15.3 The 2024/25 provisional local government finance settlement represents a holding position until the next Parliament, aiming at stability and on a stand-alone basis is positive for TMBC. But the prospect of a business rates reset, or a Fair Funding Review and the continuing uncertainty surrounding NHB could rapidly move a presently positive financial position to a negative one. The big questions about the future of the funding system remain unaddressed where three key questions remain.

- Firstly, what will our business rates baseline and baseline funding level be and how will this compare to that reflected in the MTFS taking into account transfer of any new responsibilities?
- Secondly, what is the extent to which NHB will feature in future government grant funding and if replaced what level of funding would we receive in its place?
- Thirdly, over what time period will other grant income be 'in play' and how much might we expect to receive year on year in that period?

1.15.4 The impact of current economic conditions on Council finances / financial assumptions in respect of inflation, interest rates, etc. and the scale of the impact over the medium term is uncertain and difficult to determine.

1.16 Risk Assessment

1.16.1 The Local Government Act 2003 requires the Chief Financial Officer (s151), when calculating the Council Tax Requirement, to report on the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides. Consideration will and is given to the risks associated with any budget setting process where various financial and other assumptions have to be

made. To mitigate the risks detailed estimates are formulated in conjunction with Services taking into account past outturn, current spending plans and likely future demand levels / pressures and external advice on assumptions obtained where appropriate.

- 1.16.2 The Medium-Term Financial Strategy sets out the high-level financial objectives the Council wishes to fulfil and underpins the budget setting process for the forthcoming year and over the Strategy period. As the Council's high level financial planning tool, the Strategy needs to be reviewed and updated at least annually and in the current climate regularly reviewed by Management Team. In addition, not identifying and implementing the requisite savings and transformation contributions will put at risk the integrity of the MTFS.
- 1.16.3 The continuing uncertainty and volatility surrounding local government finances does not aid financial planning with the increased risk of significant variations compared to projections; and the consequent implications on the level of reserves held.
- 1.16.4 The projected figures for New Homes Bonus or its replacement are at risk of further revision downwards which would, in turn, increase the required savings and transformation contributions.
- 1.16.5 The Waste Services Contract if not extended beyond the initial 8-year contract period could see increased costs over that assumed. It is important to note that forward planning already assumes a reduced specification.
- 1.16.6 The Inter Authority Agreement with KCC as part of the Waste Services Contract may not be extended beyond the initial 8-year contract period with potential significant adverse budget implications, albeit this is considered unlikely.
- 1.16.7 Members are reminded that the cost of borrowing for new capital plan schemes when and if required are not factored into the MTFS.
- 1.16.8 Any increase in council tax above the relevant threshold, even by a fraction of a percentage point, would require a referendum to be held.
- 1.16.9 Given the relatively positive financial position currently and the plans over the MTFS period to address what is anticipated to be the funding gap, the strategic risk '*Financial position/budget deficit*' has been downgraded to amber from red. However, the strategic risk '*Savings and Transformation Strategy*' remains a red risk until such time as detailed actions have been approved to deliver the savings required.

1.17 Equality Impact Assessment

- 1.17.1 Where there is a perceived impact on end users an equality impact assessment has been carried out and as further savings and transformation options emerge, further equality impact assessments will need to be carried out as appropriate.

1.18 Policy Considerations

1.18.1 Budgetary and policy framework is relevant to all areas of the Council's business.

1.19 Recommendations

1.19.1 The Committee is asked to:

- 1) Consider the draft Revenue Estimates attached at **[Annex 1]** and make such recommendations, as it considers appropriate, to Cabinet for its special meeting on 13 February.
- 2) Note the additional earmarked reserve contributions as set out in paragraph 1.10;
- 3) Recommend to Cabinet that the Savings and Transformation Strategy is updated to reflect the latest projected funding gap as part of the budget setting process.

Background papers:

Nil

contact: Paul Worden
Sharon Shelton

Sharon Shelton
Director of Finance and Transformation

Kim Tanner
Cabinet Member for Finance and
Housing